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C O N F I D E N T I A L SECTION 01 OF 03 SINGAPORE 000817

SIPDIS

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SUBJECT: AMBASSADOR GOLDBERG AND GOS DISCUSS IMPLEMENTATION
OF UNSCR 1874

REF: SINGAPORE 594

Classified By: CDA Daniel Shields for reasons 1.4 (b) and (d)

¶1. (C) SUMMARY: Ambassador Philip Goldberg, U.S. Coordinator for Implementation of UNSCR 1874, led a five-person delegation to Singapore to meet with GOS officials, bank compliance officers, and media, to urge complete and transparent implementation of UN Security Council Resolution (UNSCR) 1874. The delegation emphasized that UNSCR 1874 is an important tool to bring transparency to North Korean operations. Ambassador Goldberg praised the steps the GOS has taken to date to give effect to UNSCRs 1874 and 1718. The delegation highlighted ways that the DPRK has tried to evade sanctions in the past and pressed the GOS to be vigilant when scrutinizing sea and air shipments and financial activities in Singapore. GOS officials assured the delegation that reviews of the banking system found that no banks in Singapore have correspondent banking relationships with DPRK banks. End Summary.

¶2. (SBU) Ambassador Philip Goldberg and delegation visited Singapore August 19 and 20 to discuss implementation of UNSCR 1874. The delegation, joined by CDA and other Embassy officers, participated in an August 20 GOS interagency meeting, chaired by MFA and attended by representatives from the Monetary Authority of Singapore (MAS), Ministry of Defense (MinDef), Ministry of Trade and Industry (MTI), Maritime and Port Authority (MPA), Attorney General's Chambers (AGC), Ministry of Home Affairs (MHA) and Singapore Customs. In addition to meeting GOS officials, the delegation met separately, over lunch at the CDA's residence, with compliance officers from major banks, including Citibank, OCBC Bank, and United Overseas Bank (UOB). Ambassador Goldberg conducted a press roundtable with about a dozen reporters from Singapore and elsewhere in Asia. Singapore was the first stop in a longer trip to Asia that included visits in Bangkok, Seoul and Tokyo.

Bringing About a Change to How the DPRK Operates

¶3. (C) Ambassador Goldberg highlighted the importance of nonproliferation to Asia and said that UNSCR 1874 is an important tool to bring greater transparency to how North Korea operates and help move discussions back toward denuclearization. The Kang Nam 1 incident demonstrated how effective international cooperation could be. GOS officials agreed that the outcome was positive because the Kang Nam 1 could not find a "friendly" port in the region and was forced

to turn around. Goldberg pointed out Singapore's important position as a banking and maritime hub and thanked the GOS for continuing efforts to combat the proliferation of weapons of mass destruction (WMDs) through leadership roles in programs like the Proliferation Security Initiative (PSI).

Implementing UNSCR 1874

¶4. (C) Ambassador Goldberg and Charles Lutes, Director of Nonproliferation at the National Security Council (NSC), framed the need for full and transparent implementation of UNSCR 1874 in the context of Singapore's role as a major transshipment port and financial services center, noting the reputational risk to private firms found dealing with North Korean entities linked to or supporting proliferation activities. Lutes emphasized that the United States does not want the provisions of UNSCR 1874, such as ship inspections, to be confrontational or to escalate existing tensions with North Korea, or to affect the flow of legitimate trade. However, he urged Singapore to use, as appropriate, the authorities it already has -- such as routine "hail and queries" in local waters, ship and container inspections at the port, and analyses of shipping manifest data -- to identify suspect vessels and shipments. Lutes also noted the importance of monitoring air cargo.

¶5. (C) Jennifer Fowler, Assistant Director, Treasury, stressed the need for greater scrutiny of individuals and entities associated with North Korea, including Kwangson Banking Corporation, which Treasury designated on August 11.

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Fowler urged Singapore to be vigilant in reviewing correspondent banking relationships and financial transactions, including cash courier transactions, to ensure they are not linked to proliferation, conventional weapons trade, or luxury goods procurement. MAS officials asserted that Singapore will not stand for misuse of financial transactions and that recently issued regulations give full effect to UNSCR 1874. The MAS regulation enforcing UNSCR 1874 prevents the provision of financial services or transfer of financial assets or resources that could contribute to WMD-related programs or activities of the DPRK, and specifically requires freezing of assets and enhanced monitoring to prevent financial transactions that are associated with WMD-related activities or programs of the DPRK, MAS officials stated. MAS conducts periodic inspections of banks and has confirmed that none in Singapore have correspondent banking relationships with DPRK banks, according to MAS.

¶6. (SBU) MFA gave a general presentation on GOS efforts to implement UNSCR 1874, reviewing past legislation supporting counterproliferation efforts, such as Singapore's Strategic Goods (Control) Act and Regulation of Imports and Exports Act, along with the recent MAS regulations enforcing UNSCRs 1718 and 1874. MFA noted that the GOS is currently undertaking amendments to the Seventh Schedule in the Regulation of Imports and Exports Regulation, which lists prohibited DPRK imports and exports, to enhance the Schedule in line with UNSCR 1874. Singapore Customs provided an overview of Singapore's export control regime, including its industry outreach program. Singapore Customs indicated that they conduct targeted scanning and physical inspections of suspect shipments.

Banks Understand Their Role in Implementing UNSCR 1874

¶7. (C) In a lunch with local bank compliance officers from OCBC, UOB and Citibank, Ambassador Goldberg spoke of the need to maintain vigilance against North Korean attempts to subvert UN sanctions. He emphasized the potential dangers to bank reputations if North Korean entities were to use Singapore banks to facilitate proliferation of WMD and

related technologies. The compliance officers confirmed that MAS had issued advisories and remains in close contact with the banks to ensure complete implementation of UNSCR 1874. CHEW Mei Lee, Global Head of Compliance for UOB, told Ambassador Goldberg that UOB refused all activities of designated North Korean entities rather than use a risk-based approach. Chew said the bank did its own research on suspicious entities and had in fact disassociated itself with three North Korean organizations before the United Nations had officially designated them. Although UOB had to be careful about its contractual obligations, including keeping open the account of the North Korean Embassy in Singapore, it had in the past terminated relationships with suspicious account holders. Other compliance officers confirmed similar processes at their own banks.

¶8. (C) In a discussion of potential weak links in the overall financial system, Loretta Yuen, Group Legal Head of OCBC Bank, said that financial transactions made through money transfer companies like Western Union were not closely monitored. Yuen said that OCBC routinely files Suspicious Transaction Reports (STR) on unusual transactions, including large financial movements or unusually high activity in otherwise dormant accounts. Chew said that the recent slew of anti-money laundering and counter financing of terrorism (AML-CFT) laws around the world had put the spotlight on the issue. There was substantial pressure on governments and banks to improve their legal frameworks to comply with Financial Action Task Force guidelines. The compliance officers agreed on the importance for banks of knowing their individual customers and understanding the nature of the customers' businesses to better recognize suspicious behavior.

Implementing UNSCR 1874 Within ASEAN

¶9. (C) Ambassador Goldberg mentioned that Burma had provided the United States verbal agreement that it would adhere to

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UNSCR 1874, but he asked Singapore, as an ASEAN member, to continue to urge Burma to comply. MFA indicated that the GOS had not specifically raised UNSCR 1874 in bilateral discussions with Burma, but said that the GOS has consistently conveyed to Burma the point that it is in Burma's interests to be a "responsible global citizen." MFA International Organizations Director Lim Kheng Hua said that the GOS had not discussed UNSCR 1874 with Burma in the ASEAN context either. Ambassador Goldberg said that contradicted information he had received. (Note: Post also has information (Ref A) that seems to contradict the statement that UNSCR 1874 was not discussed with Burma in ASEAN channels. End Note.)

¶10. (C) At the lunch, bankers highlighted some of the regional challenges they face when implementing UNSCR provisions and related controls on financial transactions in the different countries where they operate. UOB's Chew said that the GOS had not taken a clear stand on the financial relationship banks could have with Burmese clients, although the rules on North Korean clients are clear. Chew continued that in Singapore there is little financial activity with Iranian entities at present but there is more in Malaysia and she stated that banks like UOB do not feel empowered in Malaysia to close accounts or refuse business of Iranian firms.

Delegation and Meeting Participants

¶11. (SBU) Ambassador Goldberg's Delegation to Singapore included:

- Ambassador Philip Goldberg, U.S. Coordinator for Implementation of UNSCR 1874
- Charles Lutes, Director of Nonproliferation, National

Security Council

- Mauricio de la Cruz, Executive Officer to the North Korean Mission Manager, Office of the Director of National Intelligence
- Jennifer Fowler, Assistant Director, Terrorist Financing and Financial Crimes, Treasury Department
- Donald Leathem, Senior Assistant Transnational Threats, Department of Defense

¶12. (SBU) The August 20 meeting with the Singapore Government included 20 officials representing the Ministry of Foreign Affairs (MFA), Monetary Authority of Singapore (MAS), Ministry of Trade and Industry, Attorney General's Chambers, Ministry of Defense, Ministry of Home Affairs, Singapore Customs and the Maritime and Port Authority. The meeting was led and presentations were made by:

- Meeting Chair: LIM Kheng Hua, Director, International Organizations Directorate (IO), MFA
- Lynette Long, Deputy Director, Counterproliferation & International Security, IO, MFA
- Sharon SEAH Li-Lian, Assistant Director, Counterproliferation & International Security, IO, MFA
- Valerie Tay, Head/Deputy Director, Financial Services Cooperation Division, External Department, MAS
- Fauziah Sani, Head Strategic Goods Control Branch, Singapore Customs
- WEE Sok Cheng, Deputy Head Strategic Goods Control Branch, Singapore Customs

¶13. (U) Ambassador Goldberg and the delegation cleared this message.

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